

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,</div> <div>as representative of</div> <div>THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i></div> <div>Debtors.¹</div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-3283-LTS (Jointly Administered)</div>
<div>In re:</div> <div>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO</div> <div>as representative of</div> <div>PUERTO RICO ELECTRIC POWER AUTHORITY,</div> <div>Debtor.</div>	<div>PROMESA Title III</div> <div>Case No. 17-BK-4780-LTS Re: ECF No. 2636</div>

**STATUS REPORT OF GOVERNMENT PARTIES
REGARDING COVID-19 PANDEMIC AND 9019 MOTION**

¹ The Debtors in these Title III Cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (vi) Puerto Rico Public Buildings Authority ("PBA") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations).

To the Honorable United States District Court Judge Laura Taylor Swain:

The Puerto Rico Electric Power Authority (“PREPA”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the Debtor’s sole Title III representative pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* (“PROMESA”),² and the Puerto Rico Fiscal Agency and Financial Authority (“AAFAF,” and collectively with PREPA and the Oversight Board, the “Government Parties”), as the entity authorized by Puerto Rico law to act on behalf of PREPA pursuant to the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act 2-2017, respectfully submit this status report (the “Status Report”), regarding the response to the COVID-19 pandemic and the status of the 9019 Motion.³

Background

1. On October 4, 2021, the Government Parties filed their most recent *Status Report of the Government Parties Regarding the COVID-19 Pandemic and the 9019 Motion* [ECF No. 2627] (the “October 4, 2021 Status Report”) addressing, among other things, (i) ongoing efforts to mitigate the effects of COVID-19 on the island (§§ 4–5), (ii) the status of negotiations with certain of the bondholders that are parties to the RSA (the “RSA Bondholders”) and with the government (§§ 6–8), (iii) litigation surrounding the LUMA Operation and Management Agreement (the “LUMA O&M Agreement”) (§ 9), (iv) and LUMA’s transformation efforts (§§ 10–13). The Government Parties requested that the adjournment of the 9019 Motion remain in place, and that

² PROMESA is codified at 48 U.S.C. §§ 2101–2241.

³ See *Joint Motion of Puerto Rico Electric Power Authority and AAFAF Pursuant to Bankruptcy Code Sections 362, 502, 922, and 928, and Bankruptcy Rules 3012(a)(1) and 9019 for Order Approving Settlements Embodied in the Restructuring Support Agreement* [Case No. 17-BK-4780-LTS, ECF No. 1235] (the “9019 Motion”).

they be permitted to provide the Court an updated status report on their position on or before January 19, 2022. *Id.* ¶¶ 14–15.

2. In response to the October 4, 2021 Status Report, on October 5, 2021, the Official Committee of Unsecured Creditors (the “Committee”) filed the *Official Committee of Unsecured Creditors’ Response and Objection to Status Report of the Government Parties Regarding the Covid-19 Pandemic and the 9019 Motion* [ECF No. 2628] (the “Committee Response”). The Committee requested that the Court deny the Government Parties’ request to prolong the stay of the 9019 Motion pending submission of a further status report on January 19, 2022.

3. On October 8, 2021 the Court entered an order directing the Government Parties to file an updated status report on or before January 19, 2022. *See Order Concerning Status Report of the Government Parties Regarding the COVID-19 Pandemic and the 9019 Motion* [ECF No. 2548].

4. On December 14, 2021, the Oversight Board provided an update on the general status of work toward PREPA’s plan of adjustment as requested by the Court in its *Order Regarding Procedures for December 15-16, 2021, Omnibus Hearing* [Case No. 17 BK-3283, ECF No. 19430]. *See Status Report of Financial Oversight and Management Board in Connection With December 15–16, 2021 Omnibus Hearing*, ¶¶ 8–11 [Case No. 17 BK-3283, ECF No. 19514] (the “Omnibus Hearing Status Report”). The Oversight Board incorporates its statements related to PREPA in the Omnibus Hearing Status Report into this Status Report.

Update on Conditions on the Island

5. Since the submission of the October 4, 2021 Status Report, the COVID-19 omicron variant has caused a spike in infection rates across the nation, including Puerto Rico where the

positivity rate reportedly jumped from 2% in mid-December to over 30% in January.⁴ Governor Pierluisi has implemented certain restrictions to reduce the spread of COVID-19, including: (i) a mandate that businesses where food or drink are consumed must operate at reduced capacity and require proof of vaccination or a negative COVID-19 test,⁵ (ii) a curfew on businesses and the sale of alcohol from midnight to 5:00 a.m.,⁶ (iii) mandatory testing requirements for all air travelers,⁷ and (iv) a ban on mass gatherings of more than 250 people.⁸ In addition, the start of classes at all public schools was delayed until January 24, 2022.⁹ As of January 18, 2022, it was reported there were 241,612 confirmed cases of COVID-19 and 3,524 total deaths caused by the disease on the Island since its outbreak.¹⁰

6. Fully reopening the Commonwealth remains dependent on administration of the COVID-19 vaccines to the Island's population. The Government has expanded its distribution of the COVID-19 vaccines, and, as of November 2, 2021, all Puerto Rico residents age five and older were eligible to be vaccinated.¹¹ Reportedly, as of January 18, 2022, 2,510,679 residents had been fully vaccinated and 842,574 residents had received booster doses of the COVID-19 vaccine.¹²

⁴ Cristina Corujo, *Puerto Rico's COVID-19 positive rate jumps from 2% to over 30% in just two weeks*, ABC News, <https://abcnews.go.com/US/puerto-ricos-covid-19-positive-rate-jumps-30/story?id=81986677>.

⁵ *Executive Order No. OE-2021-081*, available at: <https://www.estado.pr.gov/en/executive-orders/>; *Executive Order No. OE-2021-085*, available at: <https://www.estado.pr.gov/en/executive-orders/>.

⁶ *Executive Order No. OE-2021-086*, available at: <https://www.estado.pr.gov/en/executive-orders/>.

⁷ *Executive Order No. OE-2021-081*, available at: <https://www.estado.pr.gov/en/executive-orders/>.

⁸ *Executive Order No. OE-2021-086*, available at: <https://www.estado.pr.gov/en/executive-orders/>.

⁹ AP News, *Puerto Rico delays start of classes amid COVID-19 surge*, <https://apnews.com/article/coronavirus-pandemic-health-education-caribbean-puerto-rico-0260e8424bd8fb201b4a0026b53aef2b>.

¹⁰ Departamento de Salud, *COVID-19 Cases in Puerto Rico*, available at <https://covid19datos.salud.gov.pr/>.

¹¹ AP News, *Puerto Rico to make COVID-19 vaccine mandatory for school*, available at <https://apnews.com/article/coronavirus-pandemic-health-puerto-rico-20d91d161130d84ef788a8632adfd3cf>.

¹² Departamento de Salud, *COVID-19 Cases in Puerto Rico*, available at <https://covid19datos.salud.gov.pr/>.

Governor Pierluisi has also directed that vaccinations and boosters are mandatory for all health and safety personnel.¹³ The Government continues with hosting COVID-19 testing events throughout Puerto Rico to monitor the spread of the virus and take any necessary measures on a timely basis.

Evaluation of the RSA

7. The Oversight Board has determined at this point to move forward with the settlement set forth in the RSA, and the Government Parties will continue to assess the feasibility and advisability of its implementation. The terms of the RSA require certain legislation, including legislation to establish the securitization structure of the proposed new bonds, the transition charge needed to support the prospective debt service, and certain protections against the diminution of transition charge revenues caused by reduced demand for energy provided by PREPA. Whether the Puerto Rico Legislature will support the RSA remains an open question. The Oversight Board has discussed the legislation needed to implement the RSA with certain legislative leaders, who indicated they will be in a position to evaluate it in February. A prior version of this legislation was previously discussed with the RSA Parties.

8. Advancing PREPA's plan of adjustment is therefore a primary focus, and the Oversight Board continues efforts to propose a plan of adjustment for PREPA by the end of March 2022. This date, however, is dependent on certain factors outside the Government Parties' control that might push the filing of a plan into the second quarter of 2022. The Oversight Board remains committed to the terms of the RSA if all its terms can be carried out, but is also evaluating alternatives. The Oversight Board continues to work with the Governor and Legislature to

¹³ Executive Order No. OE-2021-082, available at: <https://www.estado.pr.gov/en/executive-orders/>; Executive Order No. OE-2021-087, available at: <https://www.estado.pr.gov/en/executive-orders/>.

implement the RSA and believes that it is in the public's best interest. In the event necessary legislation is not enacted to implement the RSA, the Government Parties will evaluate alternatives without new legislation.

9. Since the filing of the October 4, 2021 Status Report, the Government Parties have continued progress on other key objectives of PREPA's restructuring that will enable filing a plan of adjustment, such as transformation. PREPA and the P3 Authority continue to move toward transition of PREPA's legacy generation assets to private operators. In December, the PREPA governing board approved resolutions to separate legacy generation, real estate and hydroelectric assets into separate subsidiaries as required by the Operation and Maintenance Agreement with LUMA Energy LLC.¹⁴ The creation of the new subsidiaries, PREPA Genco LLC, PREPA PropertyCo LLC, and PREPA HydroCo LLC, remains subject to approval by the Puerto Rico Energy Bureau.

Next Steps

10. As described above, the Government Parties remain focused on assessing the RSA and successfully implementing a plan of adjustment for PREPA on the stated timeline. The Oversight Board will remain engaged in discussions with the RSA Bondholders, while also undertaking discussions with the Governor and Legislature regarding the legislation required to implement the RSA transactions, and considering potential alternatives to file a plan of adjustment as expeditiously as possible.

11. Since the adjournment of the 9019 Motion, the Government Parties have provided regular status reports to the Court regarding the progress of their evaluations, and they will

¹⁴ See Reorg, *PREPA Governing Board Moves to Spin Off Generation, Real Estate Hydro Subsidiaries as LLCs; Creation of Grid Subsidiary on Hold Until After Title III Restructuring*, available at https://app.reorg.com/v3#/items/intel/1869?item_id=163693.

continue to do so. Accordingly, the Government Parties suggest they provide the Court an updated status report on the Government Parties' position on or before March 31, 2022. The Government Parties intend to continue using this time to advance PREPA's transformation and find the best restructuring that is practicable.

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Dated: January 19, 2022
San Juan, Puerto Rico

Respectfully submitted,

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